



United States
Department of
Agriculture

Farmers
Home
Administration

Washington
D.C.
20250

FmHA AN No. 1921 (1951)

89 MAY 22 AM 8:47

May 11, 1989

SUBJECT: RH Loans and Debt Restructuring of Farmer Programs
Loans

TO: State Directors, District Directors and
County Supervisors

PURPOSE/INTENDED OUTCOME:

The purpose of this Administrative Notice (AN) is to clarify the handling of Rural Housing (RH) loans for Farmer Programs (FP) borrowers when their farmer programs loans are restructured. The intended outcome is to ensure the proper handling of RH loans when farmer programs loans are serviced.

COMPARISON WITH PREVIOUS AN:

No previous AN has been issued on this subject.

IMPLEMENTATION RESPONSIBILITIES:

An RH loan for Farm Buildings (RHF) will be handled similar to other FP loans for debt restructuring (such as reamortization, write down and etc.) except the term of an RHF loan cannot exceed 33 years from the date of the original loan.

Rural Housing loans that are cross-collateralized with FP loan security cannot be restructured under the FmHA Instructions 1951-S.

If the RH loan is a prior lien to the FP loans, the RH loan will be entered in DALR\$ Net Recovery Value Data Screen as a prior lien when the net recovery value is calculated. If the RH loan is a lien junior to the FP loans it will not be entered in DALR\$. It will be listed in the Farm and Home Plan along with other debts to be paid. The RH loan should not be entered on the screen in DALR\$ for calculating the

EXPIRATION DATE: September 30, 1989

FILING INSTRUCTIONS:
Preceding FmHA
Instruction 1951-S



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Secretary of Agriculture, Washington, D.C. 20250

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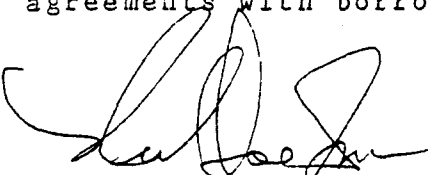
present value of payments. The RH loan will be handled similar to the handling of a loan of another lienholder.

If the borrower cannot develop a feasible plan and is eligible for net recovery buyout, the borrower may pay the net recovery buyout for the FP loans and continue with the RH loan. The borrower would sign a Net Recovery Buyout Recapture Agreement for the FP loans. Towards the bottom of the summary sheet for DALR\$ are the words in capital letters PAY OFF AT NET RECOVERY value. You must add to the last sentence below, after the letters, FmHA, "farmer programs." Also add the following after the first sentence, "you also owe FmHA \$ _____ on your RH loan."

If the borrower has an RH loan secured by a non-farm tract that is cross-collateralized with FP loans the borrower may be considered for continuing with the RH loan in accordance with FmHA Instruction 1965-A Paragraph 1965.26(c)(2). This provision only applies in liquidation cases. It should not be used for debt write-down or buy-out cases.

It appears that the language in the DALR\$ training material is a little misleading on this subject. This AN should clarify the handling of RH loans when restructuring FP loans.

The clarifications provided in this AN will not apply to cases where FmHA has already made firm commitments or agreements with borrowers. This AN is not retroactive.



NEAL SOX JOHNSON
Acting Administrator

Sent by ASD 1:30 Pm to States: 3:30 Pm to
Districts: 5-15-8:30Am to Counties; 5-12-89 by time
option telemail. State Directors will immediately
distribute to Farmer Programs Chiefs and other appropriate
personnel.